

Kawai Musical Instruments Manufacturing Co., Ltd.**Q&A Summary for the Financial Results Briefing for FY2026.3 (99th Term)**

Date: May 15, 2026 (Friday), from 11 a.m. to noon

Answered by: Kentaro Kawai, President and CEO

Note: This material summarizes the main questions received from the attendants of the financial results briefing and answers thereto, with some additions/revisions to make the intention of the answers clearer.

<Performance Forecast for FY2027.3>

Q1. Your sales plan for digital pianos appears quite ambitious. How do you view the market environment, and what initiatives are you implementing to achieve your sales targets?

A1. We expect the strongest sales growth in Europe. Through the digital marketing initiatives we have implemented, our products are gaining greater recognition, and we feel that the quality aspects that represent Kawai's strengths—particularly keyboard touch and sound quality—are increasingly resonating with potential customers.

Previously, our sales subsidiary Kawai Europa managed Germany and neighboring countries, while countries outside that region were handled directly by our headquarters in Japan. However, since the end of the previous fiscal year, Kawai Europa has been responsible for the entire EU region, and as a result, we have been making progress in developing new dealers in Northern and Eastern Europe.

Price competition in the European market has also begun to stabilize, and we believe we are now able to compete based on expanded sales channels and product quality.

In addition, we will roll out the rebranding of the "CX Line" digital pianos across all markets, including regions outside Europe. Last year, when the product name changed from the former "CN Series" to the new "CX" models, we experienced a temporary delay in market recognition. By strengthening digital marketing and improving awareness of the "CX Line," we expect increased sales in the entry-to mid-priced segment.

Furthermore, we launched the hybrid piano "NV12" last year. This hybrid product combines the touch of a grand piano with the internal system of a digital piano, and sales have been strong. In this way, we expect increased sales of digital pianos and hybrid pianos, particularly in Europe.

Q2. You are also planning significant sales growth for acoustic pianos in Europe, similar to digital pianos. How do you view the current market environment, and what initiatives are you planning?

A2. Although consumer spendings remains sluggish due to inflation, there continues to be a certain level of demand for high value-added products. Outside Germany, markets such as Spain and Italy have remained relatively strong, and we also expect future growth in regions including the United Kingdom and Northern Europe.

As part of our piano sales initiatives in Europe, we are strengthening relationships with key individuals at major music universities by encouraging opportunities to try our pianos. Some schools already use Kawai pianos, while others do not, but we first provide opportunities for trial performances so that they can experience the quality of our instruments before proposing sales.

We have also renewed the website for the Shigeru Kawai grand piano series and launched the flagship “Master Series” upright pianos as part of our efforts to further enhance product value. We believe there is stable demand in Europe for premium upright piano models, partly due to housing conditions.

We are increasing the number of MPA (Master Piano Artisan)-certified technicians stationed in Europe to tune and maintain floor models displayed at dealer stores and other locations, thereby creating the best possible environment for customers to experience Kawai pianos in optimal condition.

Through the execution of these initiatives, we believe we can achieve our sales plan for FY2027.3.

Q3. You explained that the downturn in China has bottomed out this time. How do you assess the current market conditions there?

A3. Entry-level upright pianos sold in China are manufactured locally through OEM production, and for FY2027.3, we expect sales to decline slightly compared with the previous fiscal year. On the other hand, demand for Japan-made grand pianos remains steady. In particular, opportunities to supply grand pianos to major music universities in cities such as Beijing and Shanghai have been increasing, and we expect slight growth in grand piano sales.

For digital pianos, we are also actively implementing digital marketing initiatives in China. Even among hobby players who upload performance videos to social media, many seek authentic touch and sound quality. By increasing awareness of Kawai’s strengths, we aim to expand sales of entry- to mid-priced digital pianos.

In this way, we expect increased sales of both grand pianos and digital pianos in China.

Q4. You are forecasting a significant recovery in operating profit to 1.8 billion yen in FY2027.3. What specific measures will drive this improvement?

A4. On the production side, we expect the new digital piano factory in Indonesia, which is scheduled to begin operations this July, to contribute significantly to cost reductions. We believe this will greatly improve operating profit in the Musical Instrument Education Business.

On the sales side, we are promoting a high value-added product strategy centered on products such as the “Shigeru Kawai” grand pianos, the “Master Series” upright pianos, and hybrid pianos. We also expect improvements in gross profit resulting from the effects of directly managed stores opened in North America and Australia, as well as higher profitability in Europe through changes in distribution channels and pricing optimization. In Japan as well, we renovated several flagship-class directly managed stores (Kawaguchi, Gunma, and Kanazawa) in the previous fiscal year, and we believe investments made in factories and stores last year will begin contributing to higher profit in the current fiscal year.

<Material Processing Business>

Q5. The Material Processing Business is expected to post lower revenue and profit. Could you explain your outlook for the business going forward?

A5. The Material Processing Business consists of the Metals Business, Coating Business, and Acoustics Business for soundproof rooms.

The Metals Business originally began with the processing of metal reed components for organs. Leveraging our advanced rolling technology, our products are now used in a wide range of applications, including automobiles, semiconductors, and connectors for gaming devices. While

our main products are for semiconductor and automotive applications, orders fluctuate depending on industry conditions, and we are therefore actively pursuing opportunities in various new fields to establish additional business pillars.

In the Coating Business, wood-grain interior panels for automobiles utilizing piano coating technology had long been a key product. However, demand has been challenging as vehicles equipped with wood-grain panels have fallen out of market trends. On the other hand, "Toy Pianos" produced by the Coating Business are seeing very strong demand. Due to production capacity constraints, sales had previously focused mainly on the domestic market, but as we expect substantial demand overseas as well, we will begin trial overseas sales from the current fiscal year. In this way, the Material Processing Business is pursuing growth through initiatives involving new product categories beyond its traditional business areas.

<Impact of the Situation in the Middle East>

Q6. How do you assess the impact of the current situation in the Middle East?

- A6. At present, the products most likely to be affected by disruptions in the supply and demand balance of petroleum-related materials caused by the situation in the Middle East are piano paint materials. Adhesives and packaging materials could also be affected.
- It remains unclear how long the current situation will continue. However, if conditions stabilize within several months, we do not expect a significant impact on our FY2027.3 operating profit plan of 1.8 billion yen.
- However, if the situation becomes prolonged, revisions to the plan may become necessary.

<Progress of the Medium-Term Management Plan>

Q7. Do you believe the operating profit target of 5.0 billion yen in the third year of the Medium-Term Management Plan, the "KAWAI Ten-Year Plan," is achievable?

- A7. We believe this target can be achieved through the steady execution of our strategies in each major market. Our first priority is to achieve the targets for FY2027.3, the second year of the Medium-Term Management Plan. In addition, rather than treating our 100th anniversary in 2027 simply as a commemorative event, we plan to leverage initiatives such as the launch of "100th Anniversary Models" to further enhance awareness of the Kawai brand.

<Enhancing Corporate Value>

Q8. Could you explain your specific initiatives aimed at improving the share price and increasing the number of shareholders?

- A8. Following the announcement of the enhancement of our shareholder benefit program in February this year, the number of individual shareholders as of the end of March increased by approximately 1,000 compared with the end of the previous fiscal year. While there may have been factors other than the enhancement of shareholder benefits, we believe the initiative had a positive effect.
- In light of the ongoing reduction of cross-shareholdings in Japan, we will continue enhancing shareholder benefits, holding information sessions for individual shareholders, and improving our disclosure materials in order to increase the number of individual shareholders who become long-term supporters of Kawai.

At the same time, we aim to improve our share price through earnings growth and strengthened IR activities. We are also enhancing overseas IR initiatives, including expanded English-language disclosures, and in the future we will consider holding briefing sessions overseas for institutional investors in Europe and the United States.

Q9. Shigeru Kawai's strong performance at international piano competitions has contributed significantly to enhancing Kawai's corporate value. However, this does not yet appear to be fully reflected in current sales. Within your global brand value enhancement initiatives, could you explain where you are already seeing results and where challenges still remain?

A9. The growing number of prize winners using Kawai pianos at major competitions such as last year's Chopin International Piano Competition has contributed to grand piano sales across all markets and regions.

On the other hand, the impact on digital piano sales remains insufficient. In the entry- to mid-priced digital piano segment, purchasing decisions are strongly influenced by brand recognition, and many customers choose products primarily based on brand perception. In many markets, our digital pianos are still not sufficiently recognized as a purchasing option, particularly in North America, where awareness of our digital pianos remains low.

That said, our digital pianos are highly competitive in the mid- to high-priced segment and already have a strong market share. Going forward, we hope to further increase recognition through the halo effect generated by Shigeru Kawai grand pianos.

Our earnings forecasts and future predictions described in this document are based on information available at the time of preparation. Actual results and achievements may differ materially from these forecasts due to changes in various external and internal factors, such as economic conditions, the intensification of selling competition and risks associated with intellectual property rights.